



CLIMATE ACTION REPORT

NOVEMBER 2023



Foreword

We are pleased to present our second annual Climate Action Report, alongside our Responsible Investing and Impact Investing Report.

We continue to see the real-world impact of climate change. The climate-heating phenomenon, El Niño, has returned, which is forecast to bring surging temperatures and shifts in climate patterns, particularly for countries bordering the Pacific Ocean. These shifts are expected to exacerbate the frequency of natural disasters, further burdening climate-vulnerable businesses, communities and nations.

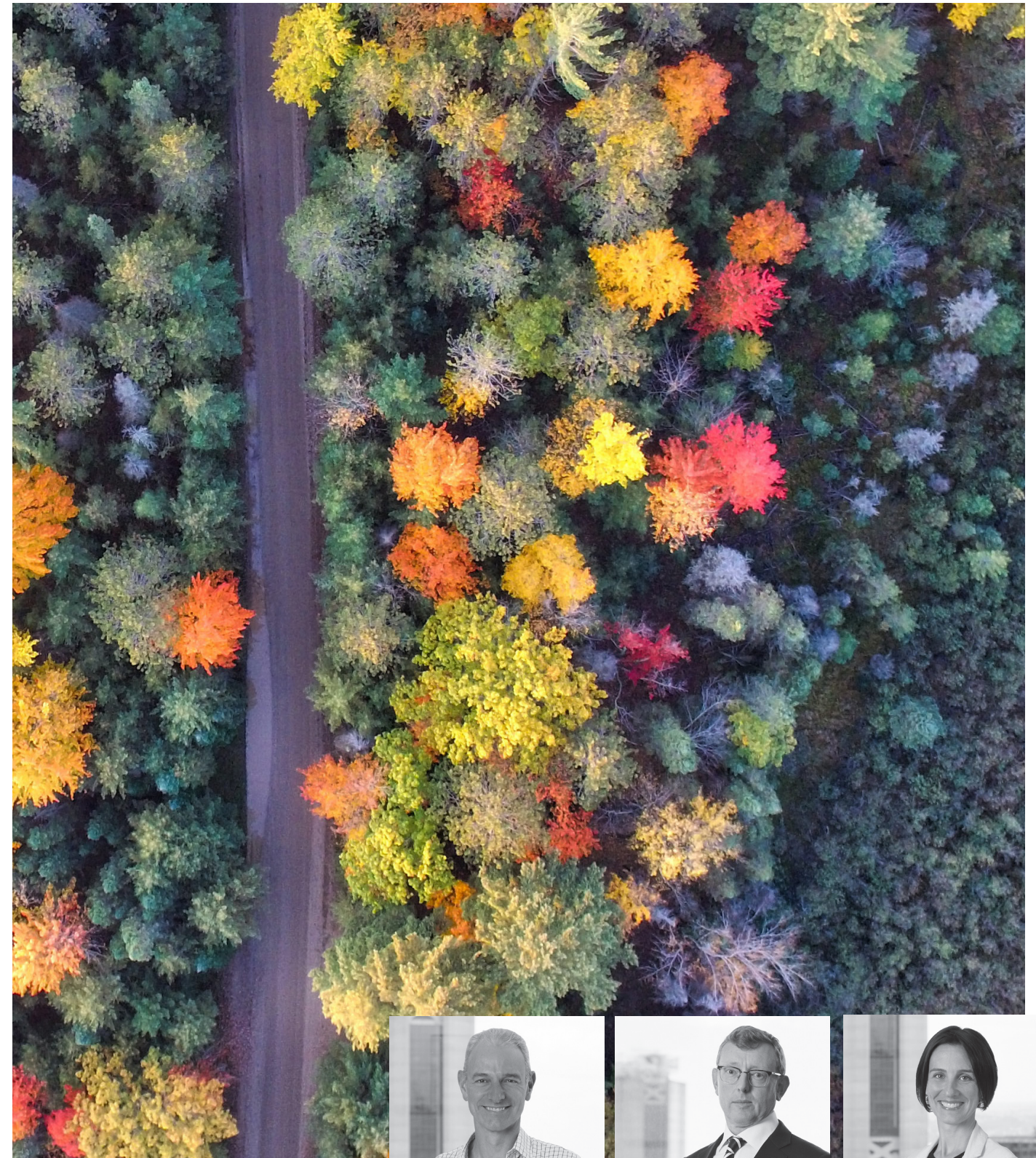
During 2023, investor focus on climate risks and opportunities has escalated. Internationally, the release of the inaugural International Sustainability Standards Board (ISSB) climate standard represents a significant step towards globally uniform and comparable climate reporting. Other major developments include the release of the UK Transition Plan Taskforce's final Disclosure Framework and the Australian Government's announcement of the development of six sector decarbonisation pathways, as part of their Net Zero 2050 plan.

As a result of its geography, Australia is relatively highly exposed to physical climate risks but well positioned to lead the transition to a net zero world, and therefore we seek to assess and manage both physical and transition risks and opportunities across our investment portfolio and our own business.

In response to the increasing investment opportunities arising from the transition economy in Australia, during the Reporting Period we launched a new strategy dedicated to investing in environmentally-aligned opportunities.

For the first time we have also included early-stage nature considerations in this report. Nature risks and opportunities are quickly becoming a key focus area for investors, driven by the growing global recognition of the inextricable links between climate and nature outcomes. As with climate, Australia has a unique nature risk and opportunity profile, and is one of 17 countries in the world considered mega diverse. We recognise the integration of nature in our investment decision-making is nascent, and we will continue to develop this over time as the market evolves.

We believe we will make better investment decisions by integrating climate and nature risks and opportunities, and can create more valuable long term businesses through supporting management teams to build climate and nature resilience. We look forward to continuing to develop our approach in line with Australian and international best practice.



ROB KOCZKAR
Managing Director



ANTHONY KERWICK
Managing Director



NATASHA MORRIS
Managing Director,
Responsibility and Impact

2023 Highlights

During the Reporting Period we focussed on climate and nature activities in our investment process, our portfolio companies and our own operations.



Established strategy focused on
ENVIRONMENTAL OPPORTUNITIES

Held two Fund II

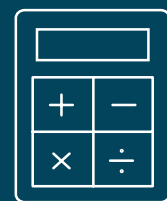
EMISSIONS REDUCTION COMMITTEE MEETINGS

43

ENVIRONMENTAL OUTPUT INDICATORS
included in our new
ESG Metrics Reporting Tool



Commenced rollout of an approach for assessing material
SCOPE 3 EMISSIONS
within portfolio companies



Calculated
PCAF ALIGNED FINANCED EMISSIONS

Procured ACCUs with

INDIGENOUS CO-BENEFITS
to offset our FY23 operational emissions¹

Developed early-stage approach
TO ANALYSE NATURE RISK
in our investment processes



Commenced rollout of a

CARBON ACCOUNTING PLATFORM to streamline
GHG Emissions reporting

¹ Excluding our Financed Emissions

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In the spirit of reconciliation Adamantem acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

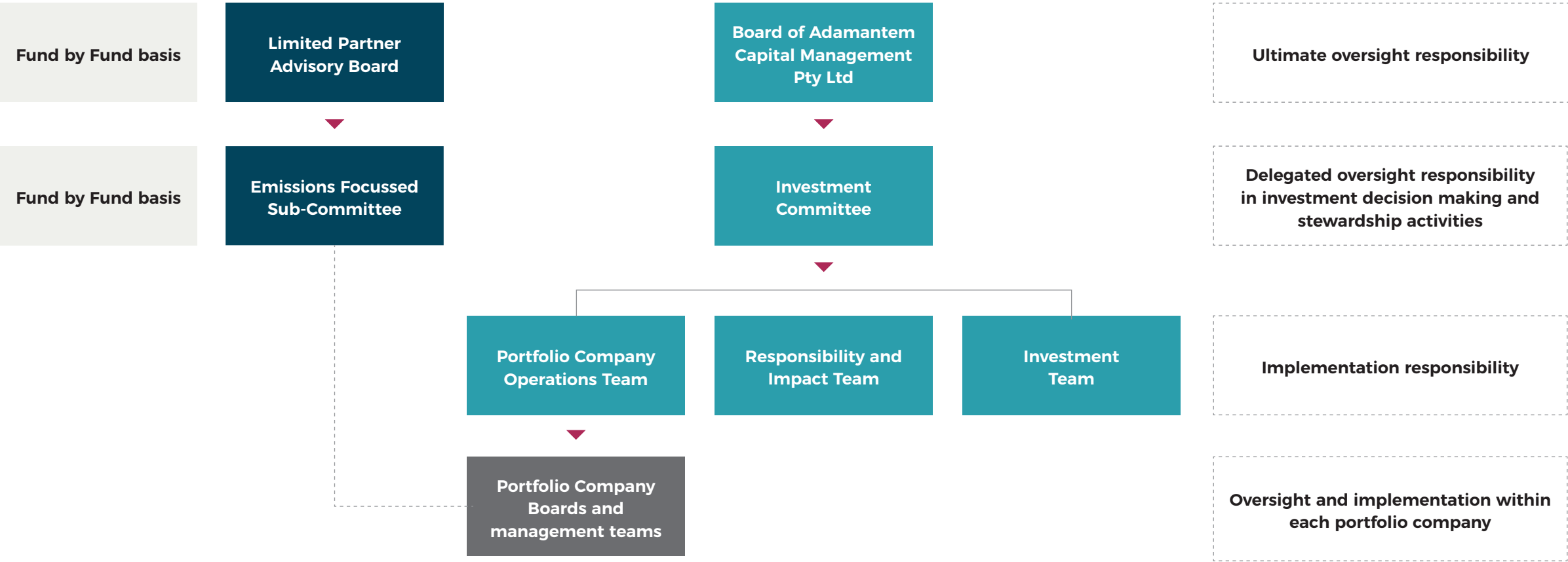
CLIMATE RISK GOVERNANCE

Our climate risk governance structure allocates oversight and implementation responsibility for managing climate change risks and opportunities across our business activities. Adamantem’s approach to climate change is set out in our [Climate Policy](#).

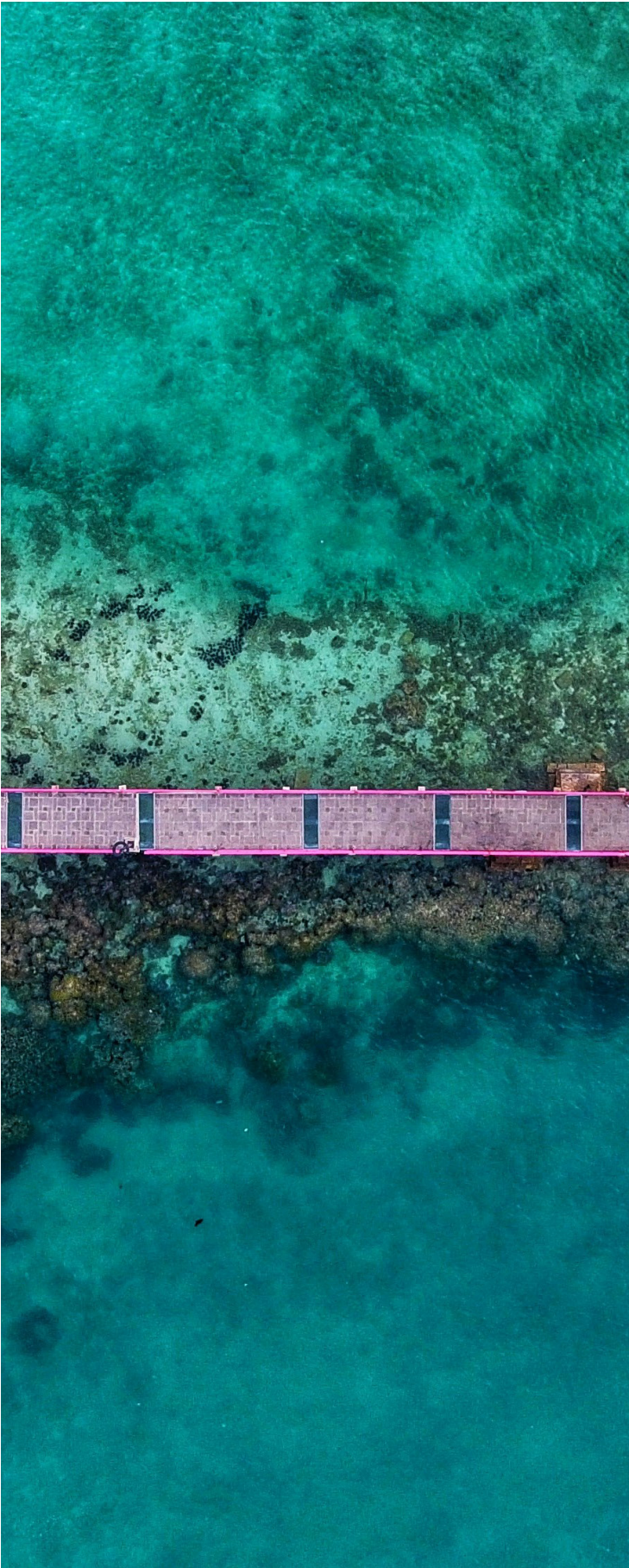
For our more recent funds, we have established a GHG Emissions-focused sub-committee of the Limited Partner Advisory Board to oversee the development of portfolio company GHG Emissions reporting and decarbonisation planning.

Diagram 1 below sets out Adamantem’s climate governance structure.

Diagram 1: Climate Risk Governance Structure



The senior management teams of our portfolio companies are responsible for establishing appropriate climate governance structures.



RAISING CLIMATE AWARENESS

We believe upskilling our employees and portfolio company management teams in climate risk assessment and management is a critical part of our approach to climate risk governance. Sharing our learnings and experiences with the broader private capital industry is one key way we can contribute to enhancing climate risk governance across the broader Australian economy.

Examples of our engagement and awareness initiatives over the last year include:

WITHIN ADAMANTEM

- Dedicated climate and nature-related training sessions held for all staff, including on:
- Emerging domestic and international climate regulation
 - The integration of nature considerations in investment decision-making
 - Circular economy considerations, with a focus on sustainable packaging

WITHIN PORTFOLIO COMPANIES

- Dedicated session on climate risk management expectations included within Adamantem’s annual portfolio company CEOs and CFOs strategy offsite.
- Shared TCFD-aligned climate risk assessments completed in due diligence with portfolio companies acquired during the Reporting Period to enhance climate risk management.
- Provided assistance to onboard portfolio companies to a carbon accounting platform, to streamline GHG Emissions reporting.

ACROSS PRIVATE CAPITAL INDUSTRY

- Presented on a range of industry panels on climate-related topics, including:
 - Climate Investor Forum (March 2023) “The keys to unlocking capital for climate solutions”]
 - AVCJ Private Equity and Venture Forum (March 2023) “Climate change and decarbonisation: seizing the opportunity”
 - SuperReturn Asia (September 2023) “Climate tech: the panacea for generating returns with purpose?”
- Participated in a number of climate and nature focussed working groups, including
 - ASFI: Organisational Transformation for Sustainability Working Group
 - IGCC: Private Equity Working Group presentation on “Net Zero Investment Framework Guidance for Private Equity”
- Formally submitted responses to both Australian Treasury consultation papers on Climate-related Financial Disclosure, in [February 2023](#) and [July 2023](#)



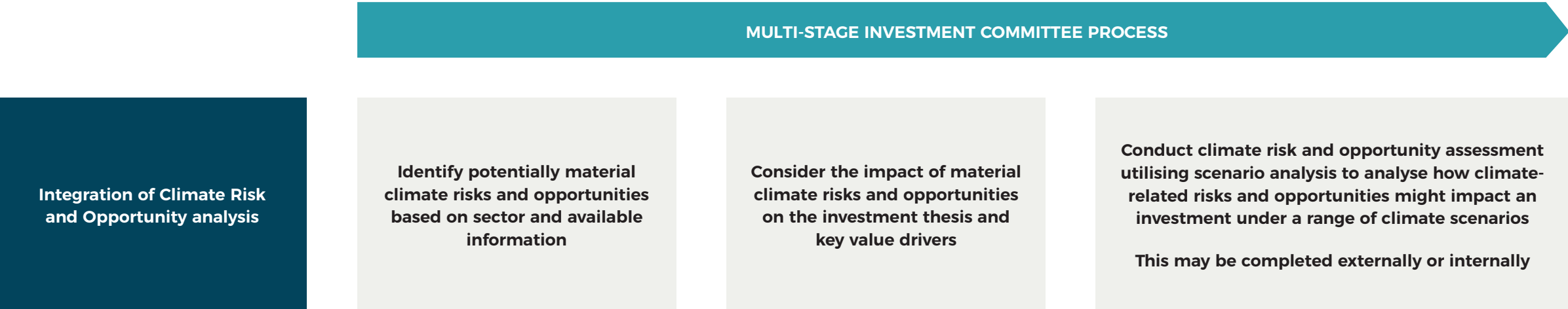
RISK MANAGEMENT IN ADAMANTEM’S OWN OPERATIONS

We manage climate-related risks within the Adamantem business in accordance with Adamantem’s Australian Standard ISO 31000:2018-aligned risk management framework, including specific identification of climate risk in the risk register. These risks are managed through control measures which are assessed and reviewed on at least an annual basis and are subject to ongoing monitoring and reporting obligations.

RISK MANAGEMENT IN INVESTMENT DECISION MAKING

Climate risk and opportunity considerations are integrated into our investment process, as set out in Diagram 2 below. This approach enables us to assess and incorporate the potential risks and opportunities associated with both physical climate change and the Net Zero transition into our investment decisions, enhancing our ability to price risk and generate financial returns.

Diagram 2: Integration of Climate Risk and Opportunity Assessment in the Investment Decision Making Process



RISK MANAGEMENT IN PORTFOLIO COMPANY STEWARDSHIP

We embed climate risk management within our portfolio companies through our Baseline ESG Expectations which we expect all portfolio companies to address over the course of our ownership period, designed to reduce operating risk within each portfolio companies (see page 9 of our Responsible Investing and Impact Investing Report for more detail.)

In relation to climate specifically, the Baseline ESG Expectations include annual Scope 1 and Scope 2 Emissions reporting, the identification of emissions reduction opportunities and annual Board deep dives on climate risk. This is managed through each portfolio company’s Board calendar and our quarterly portfolio company review process.



All investments that advance to the final stages of our Investment Committee process are subject to a climate risk and opportunity assessment. The results of these assessments inform the management of climate risks and opportunities within portfolio companies during our ownership period.

This year, instead of seeking to aggregate the asset level climate assessments to report at a whole of fund level, we have included a summary the key findings of the pre-acquisition climate due diligence conducted on each investment made since 2020. This is set out in Appendix One and is provided only to investors in the funds managed by Adamantem. At this point in time, we believe this is a more transparent way to disclose the climate risks and opportunities within our funds and provides more granularity around the individual climate risk profile of each company.

METHODOLOGY FOR THE ASSET LEVEL CLIMATE ASSESSMENTS

The pre-investment asset level climate analysis uses climate scenarios to ‘stress test’ company performance under two different scenarios – one higher transition risk and opportunity set and one higher physical risk and opportunity set.

The scenarios are selected based on climate models sourced from globally recognised institutions. For climate risk analysis carried out by external consultants we use scenarios from the IEA/IPCC, while for internal climate risk analysis² we use NGFS scenarios.

Table 1: Scenarios used in climate risk and opportunity analysis

	TRANSITION RISK SCENARIO	PHYSICAL RISK SCENARIO
IEA/IPCC (EXTERNAL CONSULTANT ASSESSMENTS)		
Risk profile	High transition risks Low physical risks	High physical risks Low transition risks
Transition risk dataset	IEA 1.5-degree NZE Scenario	IEA State Policies Scenario (STEPS)
Physical risk dataset	RCP 2.6	RCP 8.5
NGFS (INTERNAL ASSESSMENTS)		
High Risk Profile	Divergent Net Zero & Delayed Transition	Current Policies
Low Risk Profile	Nationally Determined Contributions (NDCs) & Current Policies	Net-Zero 2050

² In this Report, internal climate risk analysis only applies to PAC Trading. All other climate assessments were done by an external consultant.



These scenario assessments:

- Consider risks and opportunities across the different segments of the company’s value chain – its supply chain, its operations and the customer demand for its goods and services.
- Identify the relevant timeline over which the risk or opportunity is likely to emerge for the portfolio company.
- Seek to categorise material climate risks and opportunities into the TCFD classifications as set out in Table 2.

Table 2: Material climate risk and opportunity classifications in the TCFD

TRANSITION RISKS & OPPORTUNITIES	
Policy & Legal	Policy actions around climate change. Such actions are likely to attempt to constrain activities that contribute to the adverse effects of climate change or seek to promote adaptation to climate change.
Technology	Technology improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system.
Market	Climate change affecting shifts in supply and demand for certain commodities, products and services as climate-related risks and opportunities.
Reputation	Climate change being a potential source of reputational risk tied to changing customer or community perceptions of an organisation’s contribution to or detraction from the transition to a lower-carbon economy.
PHYSICAL RISKS & OPPORTUNITIES	
Acute	Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, and floods.
Chronic	Chronic physical risks refer to longer-term shifts in climate patterns, e.g. sustained higher temperatures, that may cause sea level risk or chronic heatwaves.



PART A: GHG EMISSIONS IN OUR INVESTMENTS

TARGETS – PORTFOLIO COMPANIES

During the Reporting Period, we maintained the following climate and Scope 1 and Scope 2 Emissions-related targets for all investments from 2020 onwards:

Table 3: Scope 1 and Scope 2 Emissions targets for portfolio companies acquired since 2020

STAGE	ACTION	TARGET
During our investment process	Completion of TCFD-aligned climate risk and opportunity due diligence	100% of all potential investments that reach the final stages of our Investment Committee process
During our ownership	Within six months of acquisition complete a GHG Emissions baseline assessment for Scope 1 and Scope 2 Emissions	100% of portfolio companies
	Within 12 months of acquisition develop an emissions reduction strategy identifying potential pathways to Net Zero in relation to Scope 1 and 2 Emissions within 10 years of investment	100% of portfolio companies

As at the end of the Reporting Period, each of the targets in Table 3 has been met, or is on track to be met, for 100% of portfolio companies.

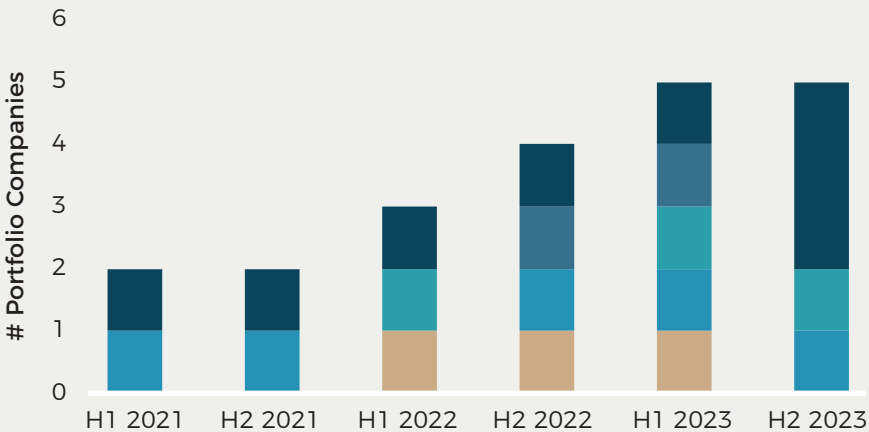
During the Reporting Period, we also adopted a Scope 3 Emissions-related target for all investments from 2020 onwards:

Table 4: Scope 3 Emissions targets for portfolio companies acquired since 2020

STAGE	ACTION	TARGET
During our ownership period	Identify the likely material sources of Scope 3 Emissions	100% of existing Fund II portfolio companies, by the end of the next Reporting Period
	Seek to estimate those material Scope 3 Emissions	100% of all new portfolio companies, within 18 months of acquisition
	Develop a strategy to engage with relevant stakeholders in relation to those material Scope 3 Emissions	

In light of these targets, we work with our portfolio companies to mature their approach to GHG Emissions management during our ownership period. Reporting progress on a whole of fund basis year-on-year presents challenges, due to the acquisition of new companies each year which are at the beginning of their emissions journey. The following diagram sets out how our Fund II portfolio has progressed through different levels of maturity over time:

Diagram 3: Fund II Portfolio Companies Decarbonisation Journey



Maturity levels

- 1 Company does not formally measure emissions
- 2 Company has measured Scope 1 & 2 emissions baseline year
- 3 Company has a decarbonisation pathway for Scope 1 & 2 emissions
- 4 Company is reporting emissions annually
- 5 Company is starting to consider Scope 3 emissions



METRICS – PORTFOLIO COMPANIES

As part of the evolution of our approach, this year we have reported on a range of GHG Emissions metrics related to our investments. Market expectations and standards for GHG Emissions reporting continue to evolve and so we expect our approach to change over time as well.

For the first time this year we have calculated our Financed Emissions, taking into account the guidance in the PCAF Standard³. While the PCAF Standard currently does not apply to all asset classes, utilising the “business loans and unlisted equity” guidance provides an additional way for us to report our investment-related GHG Emissions. To enhance the year-on-year consistency of our portfolio-level emissions calculations, during the Reporting Period we have incorporated a carbon software solution into our processes.

The following four metrics reported encompass 100% of Fund I and Fund II AUM⁴ and each metric is calculated using only Scope 1 and Scope 2 Emissions of each portfolio company⁵.

		FUND I	FUND II
Total Scope 1 and 2 Emissions (tCO2e)	The aggregate sum of each portfolio company's reported Scope 1 and 2 Emissions, in each case adjusted for a fund's percentage ownership ⁶ .	21,347	35,080
Financed Emissions taking into account guidance in the PCAF Standard (tOC2e)	The GHG Emissions attributed to a fund's investments, taking into account guidance in the PCAF Standard ⁷ . It includes the Scope 1 and 2 Emissions of each portfolio company, attributed based on the proportion of that company's total equity and debt provided by the fund ⁸ .	6,212	17,369
Weighted Average Carbon Intensity (tCO2e/\$m)	The carbon intensity of a fund based on the Scope 1 and Scope 2 Emissions intensity of the underlying investments, expressed as tCO2e/\$m portfolio company revenue ⁹ . Its calculation includes a weighting for the current value ¹⁰ of a fund's investment in each portfolio company as a proportion of the current value of all the relevant fund's investments.	32.58	43.97
Data Quality Score ¹¹ for Financed Emissions	The PCAF Standard uses a data quality score to indicate the accuracy of the Financed Emissions calculation based on the data used – for example, whether it is based on sector estimates or reported data. This five-step data quality scale ranges from 1 to 5, where a score of 1 reflects the best quality data. The data quality score in the table below has been calculated using PathZero Navigator.	2	2

The methodology used to calculate the Financed Emissions and Data Quality Score in Table 5 has undergone third-party review, including for alignment with the PCAF Standard. Additionally, the calculation methodology for the WACI and the Total Scope 1 and 2 Emissions in Table 5 has also been reviewed by a third party for consistency against Adamantem's internal protocol.

We acknowledge the challenges that exist in reporting investment-related GHG Emissions, in particular in relation to the availability and timeliness of primary data. More detail on the data sources used to calculate the metrics in Table 5 is set in out in Appendix Four (Disclosure Sources). We have used the most recent data available. This means that in some instances, the reporting years for emissions data and financial data are fully not aligned. Over time we will seek more consistency in the approach taken to GHG Emissions measurement across our portfolio companies to enhance the quality of our reporting.

We have not included forward-looking metrics in this Report, such as climate value at risk or implied temperature rise, due to current limitations in data integrity and methodological transparency and consistency. We are continuing to monitor market developments on forward-looking climate metrics and will seek to integrate these into our climate approach at a point when we are able to provide high quality and useful disclosures on these metrics to our investors.

Appendix Two sets out individual portfolio company emissions reporting.

³ <https://carbonaccountingfinancials.com/standard>

⁴ All metrics exclude co-investment.

⁵ Scope 3 portfolio company emissions not included based on the phased-in approach in the PCAF standard (as confirmed by our advisor) and unavailability of high-quality Scope 3 emissions data. Refer to Table 4 for our approach to portfolio company Scope 3 Emissions measurement.

⁶ Calculated as the percentage of total shares held.

⁷ The GHG Emissions attributed to a fund's investments, taking into account guidance in the PCAF Standard

⁸ Total equity and total debt on the portfolio company's balance sheet as per the PCAF Standard. A fund's share of the total equity on a portfolio company's balance sheet has been calculated as the percentage of total shares held. We acknowledge that there are limitations in this approach where, for legal or accounting reasons, balance sheet equity may not be the most accurate reflection of equity exposure.

⁹ Annual revenue of each portfolio company based on its income statement (LTM 30 June 2023). See appendix two for the reporting periods for each company's Scope 1 and 2 Emissions, which in some cases does not align with 30 June financial reporting.

¹⁰ Based on 30 June 2023 internal valuations. See above re Scope 1 and 2 Emissions reporting periods.

¹¹ Under the PCAF Standard, a Data Quality Score of 2 is allocated if Scope 1 and 2 Emissions are reported by the portfolio company and not third party verified. We note that some portfolio companies' reported emissions include some estimates (using physical activity data and emissions factors) to address data gaps. This does not impact the Data Quality Score.

Our Scope 3 financed emissions are not included in the estimates of our organisational GHG Emissions in this Part B, but are reported separately in Part A of this section.



PART B: GHG EMISSIONS IN OUR OPERATIONS
(EXCLUDING OUR SCOPE 3 INVESTMENT EMISSIONS)

Our FY23 corporate emissions are calculated at 607tCO₂¹². The main sources of these operational emissions for FY23 were business flights (42%) and professional services (32%).

We have set the following GHG Emissions targets with respect to our own operations:

- A target to maintain carbon neutral Scope 1 and Scope 2 Emissions
- A target to reduce absolute Scope 3 Emissions (excluding Financed Emissions) by 5% by FY30 relative to the FY23 baseline year
- A target to reduce Scope 3 Emissions intensity (excluding Financed Emissions) per FTE staff member by 30% by FY30 relative to the FY23 baseline year

We acknowledge that as our business grows so will our GHG Emissions from business flights, which are a necessary part of our relationship-based business model. We will work towards reducing both our absolute GHG Emissions and our per FTE flight intensity, but recognise this outcome is reliant on the airlines meeting their own decarbonisation goals.

As in previous years, we have procured ACCUs to offset our FY23 emissions. This year the ACCUs were retired from the Wiralla Regeneration Project. The Kullilli Bulloo River Aboriginal Corporation have a partnership with the Land Manager at Wiralla located in southwest Queensland. The ACCUs in this transaction are owned by the Kullilli Bulloo River Aboriginal Corporation and therefore all proceeds from the sale go directly to the corporation, enabling continued investment into their community.

Table 6: Adamantem's FY23 Corporate Emissions

	FY23 ¹³
Greenhouse Gas Emissions (tCO₂e)	
Scope 1	0
Scope 2 ¹⁴	0
Scope 3 ¹⁵	607
Total gross emissions	607
Purchased ACCUs	607
Total net emissions	0
Total gross scope 3 emissions intensity (tCO ₂ e/FTE) ¹⁶	17
Energy	
Total energy consumption (kWh)	28,271
Total electricity consumption (kWh)	28,271
Percentage of total electricity from renewable energy sources	100%
Energy consumption intensity (kWh/FTE) ¹⁷	796

¹² Scope 1, Scope 2 and Scope 3 emissions based on the relevancy test, excluding our financed emissions.

¹³ Emissions boundary verification and data validation conducted by a third party.

¹⁴ Utilises market-based method reflecting emissions from electricity that companies have purposefully chosen.

¹⁵ Includes accommodation, air travel, base buildings, cleaning services & chemicals, food & catering, ICT services & equipment, office furniture, paper, postage & couriers, printing & stationary, professional services, staff commuting, taxis & rideshare, telephone & internet, waste, water & wastewater and working from home.

¹⁶ Based on average Adamantem FTE during FY23.

¹⁷ Based on average Adamantem FTE during FY23.

Case study

DECARBONISATION

We support portfolio companies to assess and implement value-enhancing decarbonisation opportunities. Some examples from the Reporting Period are included here.



Linen Services continues to implement its Scope 1 and Scope 2 decarbonisation plan, developed in 2022, including receiving four NSW Government grants for various emissions reduction projects in NSW.

As part of this plan Linen Services has implemented a range of individual site level initiatives including moving to green energy, installing new efficient compressors, upgrading boilers, enhancing dryer energy efficiency, installing new steam finishing tunnels and balancing work across machines in normal hours.

Linen Services' emissions intensity (tOC2/tonnes processed) has reduced by ~26.6% from its FY21 baseline to FY23.



During the Reporting Period, three sites executed decarbonisation projects. All projects are expected to produce a cost saving or cost neutral outcome, alongside decarbonisation benefits.

A highly successful decarbonisation project was implemented at the George Manning site, an aged care facility in Christchurch. The project involved replacing the existing diesel-based hot water infrastructure with hot water heat pumps and installing 25kWp solar PV systems. The project is estimated to decrease GHG Emissions of this site by 75% and, following a 4-year payback period, will result in cost savings of over NZ\$100,000 p.a.

Heritage has identified a pipeline of decarbonisation projects for FY24/25.



Climate Friendly provides a full range of carbon farming project services from assessment, through to managing project registration and compliance, reporting on project implementation, carbon credit issuance and trading.

Their carbon farming partners' projects either remove carbon from the atmosphere and store it in the land or prevent greenhouse gases from entering the atmosphere through the implementation of sustainable land management practices, generating ACCUs for purchase by third parties to aid their decarbonisation efforts. One ACCU purchased offsets 1 tonne of CO₂ emitted.

Since 2003, Climate Friendly has supported over 160+ carbon farming projects nationwide, delivering around 30 million tonnes of carbon abatement together with their carbon farming partners.

Emerging approach to nature risks and opportunities

INTRODUCTION TO NATURE CONSIDERATIONS AND WHY THEY ARE IMPORTANT

All living things depend on the resilience of nature. At COP15 in December 2022, 196 countries, including Australia, agreed to the Kunming-Montreal Global Biodiversity Framework. This established a set of ambitious commitments to halt and reverse nature loss by 2030, and to live in harmony with nature by 2050.

Nature risks and opportunities encompass a broad spectrum of environmental factors, including challenges related to biodiversity loss, deforestation, habitat degradation, and the sustainable utilisation of natural resources. This is particularly relevant for Australia given the diversity and uniqueness of its ecosystems and its highly variable climate and geography.

Businesses are yet to widely understand how significantly their operations and supply chains may be affected if limitations are placed on their current access to nature and utilisation of ecosystem services. From an investment perspective, it will become increasingly critical to understand how a potential investee business relies on nature to provide its goods and services and factor this value into investment decision making

Equally, businesses will need to consider in more detail the potential impacts of their operations and supply chains on the state of nature.

The finalisation of the Task Force on Nature-related Financial Disclosures (TNFD) recommendations in September 2023 represents a significant development. Much like its climate-focused counterpart, the TCFD, the TNFD was established to address the growing awareness of nature-related risks and opportunities and their financial implications. There is an interdependence between climate and nature, and over time we expect to see businesses assessing and reporting on climate and nature risk in their operations and supply chains on a more holistic basis.

OUR FIRST STEPS TO INTEGRATING NATURE RISK CONSIDERATION INTO OUR INVESTMENTS

We have taken early steps to integrate basic nature risk considerations into our investment decision-making process, and to consider the high-level nature risks across our portfolio.

We recognise the TNFD recommends identifying the actual interfaces between a particular business and nature, followed by an evaluation of both the resulting business impacts on nature as well as its dependencies. However, at this stage we are focusing only on nature dependencies and are starting with sectoral level considerations.

We will be seeking to evolve our approach as the market develops more standard methodologies and sophisticated tools to support nature analysis in investments, and the TNFD becomes more widely adopted.

Integrating nature considerations into our due diligence approach

During the Reporting Period, we developed a framework for conducting in-house nature assessments on investments that reach the final stages of our Investment Committee process, with an initial focus on building our internal knowledge and understanding.

Our approach seeks to assess material nature dependencies using publicly available tools. We referenced aspects of the LEAP Framework from within the TNFD in developing this approach.

High level assessment of key ecosystem service dependencies across our portfolio

As a first step, we have undertaken a sector-based assessment of the direct operations¹⁸ of portfolio companies acquired since 2020, using the ENCORE tool. This has enabled us to identify some of the key ecosystem dependencies for the operating sites of each of these companies.

As a sector-based tool, ENCORE relies on aligning each portfolio company to a specific ENCORE sub-industry classification¹⁹. ENCORE then assesses each of these sub-industries across 21 different ecosystem services dependencies.

Based on our sub-industry selections, ENCORE identified eight ecosystem service dependencies as relevant to the direct operations of the portfolio companies included within our assessment²⁰:

- Bioremediation (low)
- Climate regulation (medium-high)
- Dilution by atmosphere and ecosystems (low)
- Fibers and other materials (medium)
- Flood and storm protection (medium)
- Groundwater (medium-high)
- Mass stabilisation and erosion control (low-medium)
- Surface water (medium-high)
- Ventilation (very low)

As a next step we will consider the implications of these findings as part of our ongoing consideration of climate risks across our portfolio. We will also seek to expand our analysis, where feasible, to the supply chains of our portfolio companies.

¹⁸ Currently this analysis only examines operational sites within the control of portfolio companies. In particular this excludes Climate Friendly's project sites and Retail Zoo's franchised stores.

¹⁹ Adamantem has selected the sub-industry considered most relevant to each portfolio company.

²⁰ Ratings per ENCORE classifications.

Collection of relevant nature-related data across our portfolio

This year we expanded our ESG Metrics Reporting Tool to cover a broader range of E, S and G metrics, to provide a more wholistic view of each company's ESG performance.

For the first time nature-related metrics were included:

Number of operational sites in Key Biodiversity Areas (KBAs)	Number of operational sites located in areas of high-water stress
- Portfolio companies entered their operational site level location data into the ESG Metrics Reporting Tool, and we overlaid the Integrated Biodiversity Assessment Tool²¹ (IBAT) for this analysis. - IBAT defines KBAs as locations that play a substantial role in preserving biodiversity across terrestrial, freshwater, and marine ecosystems on a global scale.	- Portfolio companies entered their operational site level location data into the ESG Metrics Reporting Tool, and we overlaid the World Resource Institute (WRI) Aqueduct's²² tool for this analysis. - WRI defines water stress as the ratio of total water demand to available renewable surface and groundwater suppliers. Sites have been identified as "high-water stress" if they are located in a high or very high-water stress location pursuant to this tool.

As at the end of FY23, the following percentage of portfolio companies' operational sites²³ were located in KBAs, or areas of high-water stress:

- KBAs ranged from 0-13% for Fund I portfolio companies and 0-12% for Fund II portfolio companies
- Areas of high-water stress²⁴ ranged from 0-63% for Fund I portfolio companies and 53-100% for Fund II portfolio companies

While we do not consider these findings to be material from an investment perspective, we will seek to integrate them into our investment stewardship.

²¹ <https://www.ibat-alliance.org>

²² <https://www.wri.org/aqueduct>

²³ See footnote 18 for operational sites. Percentages have been calculated based on number of operational sites within each portfolio company.

²⁴ Per WRI Aqueduct Tool the metropolitan areas of Sydney, Brisbane and Adelaide are all considered to have high-water stress.



NEXT STEPS

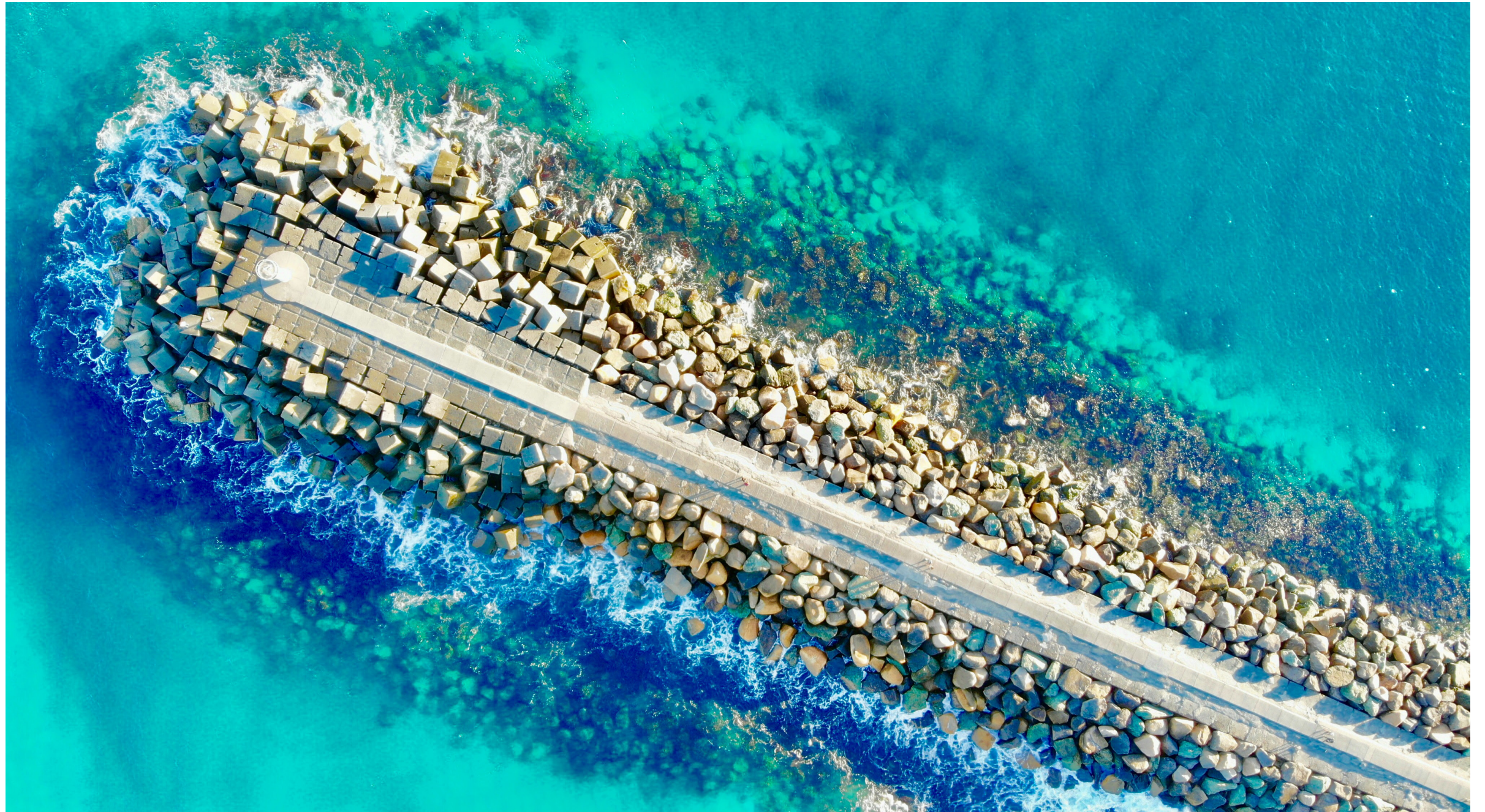
Over the coming years we will be seeking to more comprehensively incorporate the recommendations of the TNFD into our investment and stewardship processes and will be focusing on the development of a nature roadmap during 2024.

Appendix one

FINDINGS FROM INVESTMENT LEVEL CLIMATE ASSESSMENTS

This Appendix is provided only to investors in the funds managed by Adamantem.

The Appendix summarises the key findings of the pre-acquisition climate due diligence conducted on each investment made since 2020.



PORTFOLIO COMPANY EMISSIONS REPORTING

Individual portfolio company absolute and intensity Scope 1 and 2 Emissions reporting

INVESTEES	PERIOD	SCOPE 1 & 2 EMISSIONS ESTIMATES (TCO2E)	SCOPE 1 & 2 EMISSIONS INTENSITY
Hygain Holdings	FY23	6,479	0.07tCO2e/t feed production
Legend Corporation	FY23	1,396	8.00tCO2e/\$m revenue
Hellers	FY23	16,446	0.39tCO2e/t product produced
Heritage Lifecare	FY23 ²⁵	2,974	17.60tCO2e/\$m revenue
Zenitas Healthcare	FY23	485	2.59tCO2e/\$m revenue
Linen Services Australia	FY23	47,327	0.38tCO2e/t material processed
Climate Friendly	CY22	39	2.20tCO2e/\$m revenue
NAK Hair	FY23	114	2.85tCO2e/\$m revenue
Advara HeartCare ²⁶	FY22	542	3.62tCO2e/\$m revenue
Retail Zoo	FY23	6,364	27.58tCO2e/\$m revenue
PAC Trading	FY23	-	In progress



²⁵ Heritage financial year end of 31 March 2023.
²⁶ FY22 Scope 1 and 2 baseline completed during the Reporting Period, and has been used for Advara's Scope 1 and Scope 2 Emissions in this Report.

Glossary

ACCUs	Australian Carbon Credit Unit
Adamantem, Adamantem Capital, or Firm	Adamantem Capital Management Pty Limited and its affiliates
ASFI	Australian Sustainable Finance Institute
Baseline ESG Expectations	The set of baseline ESG expectations which Adamantem expects all portfolio companies to address over the course of our ownership period
Board	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Climate Policy	Adamantem’s Climate Policy, which outlines Adamantem’s approach to climate change
COP15	The 2022 United Nations Biodiversity Conference of the Parties (COP) to the UN Convention on Biological Diversity (CBD) held in Montreal, Canada
Data Quality Score	See description on page 10
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure, found at www.encorenature.org
ESG	Environmental, Social and Governance
ESG Metrics Reporting Tool	Adamantem’s proprietary E, S and G metrics reporting tool for portfolio companies
Financed Emissions	See description on page 10
Fund I	The vehicles comprising Adamantem Capital Fund I
Fund II	The vehicles comprising Adamantem Capital Fund II
Fund II Emissions Reduction Committee	A sub-committee of the Adamantem Capital Fund II Limited Partners Advisory Board which oversees the development of emissions reduction strategies and monitors the performance of portfolio companies against them
GHG Emissions	Greenhouse Gas Emissions
IBAT	Integrated Biodiversity Assessment Tool, found at www.ibat-alliance.org
IC or Investment Committee	Adamantem’s Investment Committee
IEA	International Energy Agency
IGCC	Investor Group on Climate Change
IPCC	Intergovernmental Panel on Climate Change
ISSB	International Sustainability Standards Board
KBAs	Locations that play a substantial role in preserving biodiversity across terrestrial, freshwater, and marine ecosystems on a global scale, as determined through the Integrated Biodiversity Assessment Tool found at www.ibat-alliance.org

LEAP Framework	The Locate, Evaluate, Assess and Prepare Framework developed by the TNFD for the identification and assessment of nature-related issues
Limited Partner Advisory Board	The Advisory Board of each fund managed by Adamantem, which is established and operates in accordance with the constitutional documents of the relevant fund
Net Zero	Achieving an overall balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere
NGFS	The Network of Central Banks and Supervisors for Greening the Financial System
PCAF	Partnership for Carbon Accounting Financials
PCAF Standard	Partnership for Carbon Accounting Financials Standard for financed emissions (Part A).
Reporting Period	1 October 2022 to 30 September 2023
Responsible Investing and Impact Investing Policy	Adamantem Responsible Investing and Impact Investing Policy, which outlines Adamantem’s approach to responsible investing and impact investing
RI	Responsible Investing
Scope 1 Emissions	Scope 1 greenhouse gas emissions are direct greenhouse gas emissions that occur from sources owned or controlled by the reporting company.
Scope 2 Emissions	Scope 2 greenhouse gas emissions are indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.
Scope 3 Emissions	Scope 3 greenhouse gas emissions are all other indirect greenhouse gas emission (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions and downstream emissions.
Solar PV systems	Solar photovoltaic systems
TCFD	Task Force on Climate-Related Financial Disclosures, a framework that organisations can use to publicly disclose the climate-related risks and opportunities of their business
TNFD	Task Force on Nature-Related Financial Disclosures, a framework that organisations can use to publicly disclose the nature-related risks and opportunities of their business
Total Scope 1 and 2 Emissions	See description on page 10
WACI	See description on page 10
Water Stress	The ratio of total water demand to available renewable surface and groundwater suppliers, per WRI Aqueduct Tool
WRI Aqueduct Tool	World Resource Institute Aqueduct Tool, found at Aqueduct World Resources Institute (wri.org)
\$	Australian Dollar

Disclosures

As part of our commitment to transparency, this section sets out the sources for the quantified data reported in this Report.

PAGE	REPORT REFERENCE	DATA SOURCE	DATE OF DATA
2	Number of environmental metrics in ESG Metrics Reporting Tool	Adamantem	As at 30 September 2023
	Number of Fund II Emissions Reduction Committee meetings		
7	Table 1: Scenarios used in climate risk and opportunity analysis	Adamantem climate due diligence reports	Various
8	Table 2: Material climate risks and opportunities TCFD classifications	Taskforce on Climate Related Financial Disclosures ²⁷	Various
9-10	Diagram 3: Emissions management maturity across Fund II portfolio	Adamantem Fund II Emissions Reduction Committee Minutes	As at 30 September 2023
	Table 5 metrics: portfolio company Scope 1 and Scope 2 Emissions inputs required to calculate each metric	2023 ESG Metrics Reporting Tool completed by portfolio companies (self reported)	As at the date of completion of each ESG Metrics Reporting Tool ²⁸
	Table 5 metrics: portfolio company revenue, balance sheet equity and balance sheet debt required to calculate WACI and Financed Emissions	Portfolio company financial statements	As at 30 June 2023
	Table 5 metrics: Adamantem % ownership and current investment values required to calculate Total Scope 1 and Scope 2 Emissions and WACI	Adamantem	As at 30 June 2023
	Table 5 metrics: Data Quality Score	PathZero Navigator	As at 30 September 2023
11	Table 6: Adamantem’s FY23 corporate emissions	Adamantem, calculated through PathZero Clarity	As at 30 June 2023
12	Linen Services Australia Decarbonisation Case Study	Linen Services Australia	Various
	Heritage Lifecare Decarbonisation Case Study	Heritage Lifecare	Various
	Climate Friendly Decarbonisation Case Study	Climate Friendly	Various

²⁷ <https://www.fsb-tcf.org/>

²⁸ Each portfolio company completed the ESG Metrics Reporting Tool in respect of its most recent financial year. All portfolio companies have a 30 June financial year end, apart from Heritage (which has a 31 March year-end) and Climate Friendly (which has a 31 December year-end, with some data provided as of 30 June). Advara’s FY22 Scope 1 and 2 Emissions baseline assessment has been used in this Report (see footnote 26).

Disclosure sources

PAGE	REPORT REFERENCE	DATA SOURCE	DATE OF DATA
13-14	Identified ecosystem service dependencies	Operational site locations from portfolio companies Analysis through ENCORE	For each portfolio company, sites as at date of completion for each ESG Metrics Reporting Tool
	Proportion of portfolio companies' operational sites located in KBAs	Operational site locations from portfolio companies Analysis through IBAT	For each portfolio company, sites as at date of completion for each ESG Metrics Reporting Tool
	Proportion of portfolio companies' operational sites located areas of high-water stress	Operational site locations from portfolio companies Analysis through WRI Aqueduct Tool	For each portfolio company, sites as at date of completion for each ESG Metrics Reporting Tool
16	Scope 1 & 2 Emissions estimates	2023 ESG Metrics Reporting Tool completed by portfolio companies (self-reported)	As at the date of completion of each ESG Metrics Reporting Tool ²⁹
	Production Metrics	2023 ESG Metrics Reporting Tool completed by portfolio companies (self-reported)	As at the date of completion of each ESG Metrics Reporting Tool ³⁰
	Portfolio Company Revenue	Portfolio company financial statements	As at 30 June 2023

²⁹ See footnote above.

³⁰ See footnote above.

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